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China Gold Jeweler to Pay \$665 Million for U.S. Oil Operator

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Feb. 17 (Bloomberg) -- Goldleaf Jewelry Co., a Chinese jewelry retailer with gold mining investments, plans to buy U.S. oil and gas operator ERG Resources LLC for at least \$665 million. Goldleaf's shares surged.

The Beijing-based company will pay for the acquisition with a private share placement, raising as much as 5.7 billion yuan (\$940 million) from no more than 10 investors, Goldleaf said in a statement today to the Shenzhen stock exchange. It will hold 95 percent of Houston, Texas-based ERG after the purchase.

The acquisition is in line with the company's strategy to become a "cross-border, trans-market international resources enterprise," Goldleaf said in a separate statement.

Buying closely held ERG would give Goldleaf a foothold in oil assets along the Gulf Coast and California, adding to \$16 billion of oil and gas deals announced by Chinese companies in the past year, according to data compiled by Bloomberg. ERG sold 13 oilfields to Australia's Linc Energy Ltd. in 2011 for \$236 million.

ERG has \$350 million of loans outstanding as of Dec. 31, which pay more than 10 percent annual interest, according to Goldleaf. The oil company will boost its profitability after it pays off the higher-cost loans with funds from Goldleaf, the Chinese company said. The acquisition still needs approval from U.S. and Chinese regulators.

Goldleaf, which suspended its shares on Jan. 1, resumed trading today in Shenzhen and gained by the daily limit of 10 percent to close at 13.77 yuan.

The Chinese company generated 8.7 billion yuan of sales in 2012 and had 1.9 billion yuan of assets as of the end of that year, according to data compiled by Bloomberg.

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